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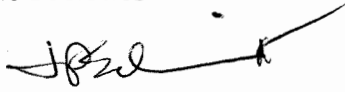
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INSURANCE COMMISSIONER

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December 3, 2007

MEMORANDUM 2007-05LIC

TO: All Insurance Producers Appointed by Hawaii Fraternal
Benefit Societies
All Hawaii Fraternal Benefit Societies

FROM: J.P. Schmidt 
Insurance Commissioner

RE: New Fee Requirements and Other Licensing Matters Applicable to Insurance
Producers Appointed by Fraternal Benefit Societies

In 2006, the Hawaii State Legislature enacted Act 154, Session Laws of Hawaii 2006, which amends the fraternal benefit society law to require all insurance producers appointed by fraternal benefit societies to comply with the fee requirements of article 7, chapter 431, Hawaii Revised Statutes. A copy of the new law and the complete article 7 fee schedule is attached as Attachment A.

Accordingly, effective immediately, the following fees are applicable to insurance producers appointed by fraternal benefit societies:

Producer's license:

- Issuance, regular license \$50
- Issuance, temporary license \$50
- Nonresident producer's license (Issuance) \$75
- Fees for services of the Department of Commerce and Consumer Affairs subsequent to the issuance of a license:
 - \$50 per year for all services (including extension of the license) for a regularly licensed producer
 - \$75 per year for all services (including extension of the license) for a regularly licensed nonresident producer

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If you currently are an insurance producer appointed by a fraternal benefit society, the new fees will be applicable to you starting with your next license renewal. In this regard, resident insurance producers are required to pay a \$50 per year fee for all services (including extension or renewal of the license) and nonresident insurance producers are required to pay a \$75 per year fee for all services (including extension or renewal of the license).

In light of the new law, the Insurance Division will no longer issue "fraternal benefit society producer licenses". All producer licensing applicants who meet the licensing requirements of articles 7 and 9A, chapter 431, Hawaii Revised Statutes, will be issued an "insurance producer license", whether they plan to be appointed by a fraternal benefit society or not.

If you currently hold a "fraternal benefit society producer license", the Insurance Division will convert your license to an insurance producer license. This will take place automatically; you need not make any special filings with the Insurance Division for this purpose. The resident or nonresident designation of your license will remain unchanged. You are required to pay fees pursuant to article 7, chapter 431, Hawaii Revised Statutes, starting with your next license renewal.

If you currently hold both a valid "fraternal benefit society producer license" and a valid insurance producer license, the Insurance Division will convert your licenses to one license, namely, an insurance producer license. This will take place automatically; you need not make any special filings with the Insurance Division for this purpose. The resident or nonresident designation of your license will remain unchanged. You are required to pay fees pursuant to article 7, chapter 431, Hawaii Revised Statutes, for the insurance producer license only, starting with your next license renewal.

If you are a fraternal benefit society that has appointed a producer with a "fraternal benefit society producer license", that fraternal benefit society producer license will be converted by the Insurance Division to an insurance producer license with no impact to you. You are also informed that all insurance producers are eligible for appointment by the fraternal benefit societies, provided the producers are in compliance with the licensing requirements of articles 7 and 9A, chapter 431, Hawaii Revised Statutes.

ATTACHMENT A

§432:2-609 Licensing of producers. (a) Fraternal benefit society producers shall be licensed in accordance with the provisions governing producers in articles 7 and 9A of chapter 431, except that the appointment shall be made by the fraternal benefit society. Fraternal benefit society producers are not prohibited from obtaining additional licenses provided for in article 9 of chapter 431. No examination shall be required of an individual licensed to represent a fraternal benefit society prior to July 1, 1988.

(b) No examination or license shall be required of any regular salaried officer, employee or member of a licensed society who devotes substantially all of the officer's, employee's or member's services to activities other than the solicitation of fraternal insurance contracts from the public, and who receives for the solicitation of such contracts no commission or other compensation directly dependent upon the amount of business obtained.

(c) Any producer, representative, or member of a society who devotes, or intends to devote, less than fifty per cent of one's time to the solicitation and procurement of insurance contracts for such society shall be exempt from the requirements of subsection (a). Any person who in the preceding calendar year has solicited and procured life insurance contracts on behalf of any society in an amount of insurance in excess of \$50,000, or, in the case of any other kind or kinds of insurance which the society might write, on the persons of more than twenty-five individuals and who has received or will receive a commission or other compensation therefor, shall be presumed to be devoting, or intending to devote, fifty per cent of the person's time to the solicitation or procurement of insurance contracts for such society. [Emphasis provided.]

§431:7-101 Fees. (a) The commissioner shall collect in advance the following fees:

- (1) Certificate of authority: Issuance..... \$900
- (2) Organization of domestic insurers and affiliated corporations:
 - (A). Application and all other papers required for issuance of solicitation permit, filing.. \$1,500
 - (B). Issuance of solicitation permit..... \$150
- (3) Producer's license:
 - (A). Issuance, regular license..... \$50
 - (B). Issuance, temporary license..... \$50
- (4) Nonresident producer's license: Issuance..... \$75
- (5) Independent adjuster's license: Issuance..... \$75
- (6) Public adjuster's license: Issuance..... \$75
- (7) Workers' compensation claim adjuster's limited license: Issuance..... \$75
- (8) Independent bill reviewer's license: Issuance... \$80
- (9) Limited producer's license: Issuance..... \$60
- (10) Managing general agent's license: Issuance..... \$75
- (11) Reinsurance intermediary's license: Issuance.... \$75
- (12) Surplus lines broker's license: Issuance..... \$150
- (13) Service contract provider's registration: Issuance \$75
- (14) Approved course provider certificate: Issuance. \$100
- (15) Approved continuing education course certificate: Issuance..... \$30
- (16) Vehicle protection product warrantor's registration: Issuance..... \$75
- (17) Criminal history record check..... \$20
- (18) Limited line motor vehicle rental company producer's license: Issuance..... \$1,000
- (19) Examination for license: For each examination, a fee to be established by the commissioner.

(b) The fees for services of the department of commerce and consumer affairs subsequent to the issuance of a certificate of authority, license, or other certificate are as follows:

- (1) \$600 per year for all services (including extension of the certificate of authority) for an authorized insurer;
- (2) \$50 per year for all services (including extension of the license) for a regularly licensed producer;
- (3) \$75 per year for all services (including extension of the license) for a regularly licensed nonresident producer;
- (4) \$45 per year for all services (including extension of the license) for a regularly licensed independent adjuster;
- (5) \$45 per year for all services (including extension of the license) for a regularly licensed public adjuster;
- (6) \$45 per year for all services (including extension of the license) for a workers' compensation claims adjuster's limited license;
- (7) \$60 per year for all services (including extension of the license) for a regularly licensed independent bill reviewer;
- (8) \$45 per year for all services (including extension of the license) for a producer's limited license;
- (9) \$75 per year for all services (including extension of the license) for a regularly licensed managing general agent;
- (10) \$75 per year for all services (including extension of the license) for a regularly licensed reinsurance intermediary;
- (11) \$45 per year for all services (including extension of the license) for a licensed surplus lines broker;
- (12) \$75 per year for all services (including renewal of registration) for a service contract provider;
- (13) \$65 per year for all services (including extension of the certificate) for an approved course provider;
- (14) \$20 per year for all services (including extension of the certificate) for an approved continuing education course;
- (15) \$75 per year for all services (including renewal of registration) for a vehicle protection product warrantor;
- (16) \$20 for a criminal history record check; and
- (17) \$600 per year for all services (including extension of the license) for a regularly licensed limited line motor vehicle rental company producer.

The services referred to in paragraphs (1) to (17) shall not include services in connection with examinations, investigations, hearings, appeals, and deposits with a depository other than the department of commerce and consumer affairs.

(c) The commissioner shall notify the holder of a certificate of authority issued under article 3 by written notice at least thirty days prior to the extension date of the certificate of authority, license, or other certificate. If the fee is not paid before or on the extension date, the fee shall be increased by a penalty in the amount of fifty per cent of the fee. If the fee and the penalty are not paid within the thirty days immediately following the extension date, the commissioner may revoke, suspend, or inactivate the certificate of authority, license, or other certificate, and shall not reissue, remove the suspension of, or reactivate the certificate of authority, license, or other certificate until the fee and penalty have been paid.

(d) Failure to pay the fee before or on the extension date for a license or other certificate issued under article 9 or 9A shall cause the automatic inactivation of the license or certificate effective as of the extension date.

(e) All fees and penalties shall be deposited to the credit of the compliance resolution fund.